



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

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Grassley, Baucus Urge the President to Highlight U.S.- Japan Trade

WASHINGTON—Sen. Chuck Grassley, chairman of the Committee on Finance, along with Sen. Max Baucus, ranking member, Rep. Bill Thomas, chairman of the Committee on Ways and Means, and Rep. Charles Rangel, ranking member of the Committee on Ways and Means, yesterday sent a letter to the President urging him to continue to underscore that trade between the United States and Japan is a high priority. Grassley, Baucus and their House counterparts strongly requested that the President continue to work with Japanese Prime Minister Koizumi on important economic issues including Japan's need to deregulate, reform its banking system and open its markets to U.S. goods, services, and farm products.

The text of the letter follows.

June 3, 2003

The Honorable George W. Bush
President of the United States
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear Mr. President:

We are writing to respectfully request that you continue to underscore to Japanese Prime Minister Koizumi that U.S.-Japan trade is a high priority for your Administration and for the Congress. Although we understand that your recent meetings with the Prime Minister included discussions on economic issues, we urge you to press Japan to continue to deregulate, reform its banking system, and open its markets to U.S. goods, services, and farm products.

In challenging economic times, it is important for America's trade strategy to focus on major overseas markets that provide the most potential opportunity. Despite recent economic reversals, Japan is the world's second-largest economy and America's third-largest trading partner. It remains a highly affluent society, a huge customer for American agriculture, a powerful global competitor, and accounts for over 70% of Asia's GDP. Under Prime Minister Koizumi's leadership, there has

been some progress on deregulation and market opening, but there is still a long way to go. U.S. goods, services, investors, and farm products continue to face protectionist trade barriers and discriminatory and non-transparent regulations, and U.S. business continues to suffer from Japan's protracted economic weakness. Measurable progress by Japan on non-performing loans and long-awaited financial reforms, and meaningful deregulation and market opening would be a win-win solution, which would expand markets for American products, benefit Japanese consumers, and accelerate a Japanese economic recovery. Indeed, spurring a virtuous cycle of reform and growth is the best way of avoiding a downward economic spiral, both here and in Japan.

Strong U.S. leadership is required. While U.S. exports to Japan totaled over \$51 billion in 2002, this represented over a 21% decline from 2000. Japan is a major customer for American agriculture, but U.S. farm exports in 2002 were down 20% from their peak in 1996. In recent years, Japan's interest in addressing U.S. concerns regarding improving market access for autos, financial services, flat glass, meat, medical devices, pharmaceuticals, blood products, and telecommunications appears to have waned. As a result, the U.S. continues to run substantial bilateral trade imbalances with Japan, including a \$70.1 billion deficit in 2002. Japan accounted for 11% of U.S. exports in 1996, but this has fallen to only 7% today.

We recognize Japan is an important friend and strategic ally. Prime Minister Koizumi is a strong leader who is committed to pursuing comprehensive de-regulatory initiatives that have previously been blocked by powerful, protected domestic political interests. As the U.S. and Japan recognized in launching the Economic Partnership for Growth, meaningful deregulation, financial reform, market opening, and change would create new opportunities for America's exporters and for Japanese consumers and entrepreneurs.

Further, while we are encouraged by Japan's engagement in the Doha round of trade negotiations, we remain very concerned that Japan is not taking the necessary forward-leaning role regarding several key issues, most notably agricultural reform and elimination of non-tariff barriers. We strongly request that you stress the importance of Japan's movement on these issues to the Prime Minister, and that he should take into consideration the overall benefits to Japan that result from further trade liberalization. Japan will continue to benefit from trade liberalization as long as it takes the appropriate steps within the Doha round to further open its food and agricultural market as well as its markets for U.S. goods and services.

Your next meeting with the Prime Minister offers yet another opportunity to expand market access for U.S. products, accelerate Japanese de-regulation, enforce Japan's commitments under existing trade agreements, and reinvigorate our bilateral trade agenda.

We look forward to working with you to build a new and positive era in U.S.-Japan trade relations.

Sincerely,

Charles E. Grassley

Bill Thomas

Chairman,
Committee on Finance

Max Baucus
Ranking Member,
Committee on Finance

Chairman,
Committee on Ways and Means

Charles Rangel
Ranking Member,
Committee on Ways and Means